OVERBERG

DISTRICT MUNICIPALITY

VIREMENT POLICY

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1. BACKGROUND

1.1 Virement is the process of transferring funds from one line item of a budget to another. The term is derived from a French word meaning a commercial transfer.

1.2 Each year, Overberg District Municipality (the municipality) produces an annual budget which must be approved by Council. In practice, as the year progresses, circumstances may change so that certain estimates are under-budgeted and others over-budgeted due to unforeseen expenditure (for example, due to the occurrence of disasters), savings and reduced revenue projected. As a result, it becomes necessary to transfer funds between votes and line items. It is not practical to refer all transfers between line items within a specific vote to the Council, and as the Municipal Finance Management Act (MFMA) is largely silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.

2. PURPOSE

2.1 The purpose of this policy is therefore to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

3. DEFINITIONS

Concept, term, abbreviation	Description
MFMA	Municipal Finance Management Act, 56 of 2003
Virement	The process of transferring funds from one line item of a budget to another.
Vote	As contained in Section 1 of the MFMA: *"vote means –* *(a) one of the main segments into which a budget of a municipality is divided for the appropriation of*

	money for the different departments or functional areas of the municipality; and (b) *which specifies the total amount that is appropriated for the purposes of the department or functional area concerned."*

4. LEGISLATIVE CONTEXT

The Overberg District Municipality is committed to adhering to and applying the prescribed legislative environment as it applies to virements, with specific reference to:

4.1 The Constitution of the Republic of South Africa, Act 108 of 1996 as amended

4.2 The Municipal Finance Management Act, 56 of 2003 (MFMA)

4.3 Treasury regulations issued in terms of the MFMA

5. SCOPE FOR APPLICATION

5.1 This policy applies only to transfers between line items within votes of the Municipality's operating budget and own funded Capital budget.

5.2 Section 28(2) (d) read together with section 69 of the MFMA provides that *"An adjustments budget…may authorise the utilisation of projected savings in one vote towards spending in another vote."* Transfers between votes may therefore be authorised only by the Council of the Municipality.

5.3 This policy shall not apply to transfers between or from capital projects based on grant funding or items and no such transfers may be performed under this policy.

5.4 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the council through an adjustments budget.

6. RESPONSIBLE OFFICIALS

The Municipal Manager shall be responsible for the implementation and administration of this policy.

A transfer of funds from one line item to another under this policy may, subject to the provisions of this policy, be authorised as follows:

6.1 If the amount does not exceed R 10 000 then the transfer may be authorised by the Departmental Head.

6.2 If the amount does not exceed R 1 million, the transfer may be authorised by relevant Director of the Chief Financial Officer of the Municipality.

6.3 If the amount exceeds R 1 million the transfer may be authorised by the Municipal Manager after consultation with the Chief Financial Officer.

7. LIMITATIONS ON AMOUNT OF VIREMENT

7.1 Notwithstanding the provisions of section 6:

7.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceeding 15% of the amount allocated to that vote; and

7.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 15% of the total operating budget for that year.

7.2 A transfer which exceeds, or which would result in the exceeding of, any of the limits referred to in 4.1 above may, however, be performed if the Council by resolution approves thereof.

8. VIREMENT PERMITTED ONLY IF SAVINGS ARE PROJECTED

A transfer of funds from one line item to another may take place only if savings within the first-mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

9. FURTHER RESTRICTIONS ON VIREMENT

9.1 A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:

9.1.1 Contravene any policy of the Municipality; or

9.1.2 Alter the approved outcomes or outputs of an Integrated Development Plan; or

9.1.3 Result in any adjustment to the Service Delivery and Budget Implementation Plan.

9.1.4 No transfer of funds shall be permitted if same were to result in any change to the staff establishment of the Municipality, except if the Municipal Manager approves of such change.

9.2 If any sub-vote has been specifically ring-fenced, no transfer of funds may be made under this policy to or from such line item.

9.3 Transfers of funds may not be made under this policy between or from grant funded capital items or projects.

9.4 To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided.

9.5 By definition, transfers may not be made under this policy from a line item administered by one department to a line item administered by another, unless approved by the CFO.

9.6 In accordance with Section 30 of the MFMA, no transfer of funds may be made from a line item of a budget for a particular year to a line item of a budget for a subsequent year.

9.7 The transfer of funds in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.

9.8 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.

9.9 The approval of any transfer shall not *per se* constitute expenditure authority, and all expenditure resulting from approved transfers must, to the extent that same is applicable, be carried out in accordance with the Municipality's Supply Chain Management Policy.

10. PROCEDURE FOR VIREMENT

10.1 Proposals for transfers may be made by the Head of Department concerned.

10.2 The Municipal Manager shall prescribe a form on which all proposals for transfers of funds under this policy shall be made, which form shall include, but not be limited to, provisions for the following:

10.2.1 the name of the department concerned;

10.2.2 descriptions of the line items from and to which the transfer is to be made;

10.2.3 the amount of the proposed transfer;

10.2.4 the cause of the saving in the line item from which the transfer is to be made;

10.2.5 the justification for the transfer; and

10.2.6 a description of any consequences that such transfer my have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan.

10.3 Each proposal for a transfer shall be submitted by the Head of Department concerned to the Chief Financial Officer and if :

10.3.1 The amount of the transfer does not exceed the amount referred to in section 3.1 and the transfer is not between cost- or functional centres, the Chief Financial Officer shall:

10.3.1.1 approve the proposal, or

10.3.1.2 reject the proposal; or

10.3.1.3 refer the proposal to the Municipal Manager for approval or rejection;

10.3.2 the amount of the transfer does not exceed the amount referred to in section 3.1 but the transfer is between cost or functional centres, or if it falls within the range of amounts referred to in section 3.2, the Chief Financial Officer shall, shall approve or reject the proposal;

10.3.2 the amount of the transfer falls within the range of the amounts referred to in section 3.3, the Chief Financial Officer shall refer the matter to the Municipal Manger.

10.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

11. REPORTING

The Municipal Manager shall submit a report on all transfers made under this Policy to the MFMA Combined Steering Committee.

12. RELATED POLICIES

The following policies are related to this policy:

12.1 Supply chain management policy

12.2 Municipal budget policy

13. REVIEW

13.1 This policy will be reviewed at least annually and updated if needed.

14. EFFECTIVE DATE

This policy shall come into effect on 1 July 2017.